

REVENUE ESTIMATES

General Fund revenues are expected to be \$95.685 billion in 2006-07 and \$101.253 billion in 2007-08. This represents an increase of \$1.166 billion in 2006-07 and a reduction of \$24 million compared to the Governor's January budget. These totals reflect transfers to the Budget Stabilization Account of \$472 million in 2006-07 and \$1.023 billion in 2007-08. Figure REV-01 displays the forecast changes between Governor's Budget and May Revision.

PERSONAL INCOME TAX

The personal income tax forecast has been increased by \$201 million in 2006-07 and decreased by \$362 million in 2007-08. Through April, General Fund personal income tax receipts were \$309 million, or 0.7 percent, below the forecast in the Governor's January budget. Refunds in May and June are now expected to be lower than estimated in December, offsetting higher refunds earlier in the tax-filing season.

2005 tax data, the most recent information available, showed higher income and liability growth for taxpayers with adjusted gross income over \$200,000 than for those with income under \$200,000. The forecast assumes that this growth difference continued in 2006. Capital gains income grew 48 percent in 2005. This forecast estimates that capital gains income will grow 10 percent in 2006 and 2 percent in 2007.

Figure REV-01

General Fund Revenue Forecast
Reconciliation with the 2007-08 Governor's Budget
(Dollars in Millions)

Source	Governor's Budget	May Revision	Change Between Forecasts	
<u>Fiscal 05-06</u>				
Personal Income Tax	\$49,877	\$49,901	\$24	0.0%
Sales & Use Tax	27,581	27,581	\$0	0.0%
Corporation Tax	10,316	10,316	\$0	0.0%
Insurance Tax	2,202	2,202	\$0	0.0%
Alcoholic Beverage	318	318	\$0	0.0%
Cigarette	118	118	\$0	0.0%
Other Revenues	3,022	3,022	\$0	0.0%
Transfers	<u>-7</u>	<u>-7</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$93,427	\$93,451	\$24	0.0%
<u>Fiscal 06-07</u>				
Personal Income Tax	\$52,042	\$52,243	\$201	0.4%
Sales & Use Tax	27,775	27,787	\$12	0.0%
Corporation Tax	10,311	10,717	\$406	3.9%
Insurance Tax	2,220	2,166	-\$54	-2.4%
Alcoholic Beverage	321	321	\$0	0.0%
Cigarette	121	119	-\$2	-1.7%
Other Revenues	2,371	2,368	-\$3	-0.1%
Transfers	<u>-642</u>	<u>-36</u>	<u>\$606</u>	<u>-94.4%</u>
Total	\$94,519	\$95,685	\$1,166	1.2%
Change from Fiscal 05-06	\$1,092	\$2,234		
% Change from Fiscal 05-06	1.2%	2.4%		
<u>Fiscal 07-08</u>				
Personal Income Tax	\$55,598	\$55,236	-\$362	-0.7%
Sales & Use Tax	29,347	28,841	-\$506	-1.7%
Corporation Tax	10,816	11,053	\$237	2.2%
Insurance Tax	2,354	2,181	-\$173	-7.3%
Alcoholic Beverage	325	325	\$0	0.0%
Cigarette	122	120	-\$2	-1.6%
Other Revenues	3,101	3,772	\$671	21.6%
Transfers	<u>-386</u>	<u>-275</u>	<u>\$111</u>	<u>-28.8%</u>
Total	\$101,277	\$101,253	-\$24	0.0%
Change from Fiscal 06-07	\$6,758	\$5,568		
% Change from Fiscal 06-07	7.1%	5.8%		
Three-Year Total			\$1,166	

These figures reflect reductions to revenues for transfers of \$472 million in 2006-07 and \$1.023 billion in 2007-08 to the Budget Stabilization Account

SALES AND USE TAX

The sales and use tax forecast has been increased by \$12 million in the current year and decreased by \$506 million in the budget year. Through March, sales tax receipts have tracked closely to estimates.

Current law requires the transfer of some gasoline and diesel fuel sales tax revenues from the General Fund to the Public Transportation Account (PTA); a portion of this transfer is known as “spillover.” In 2006-07, \$200 million of spillover revenues that would otherwise be transferred to the PTA was used to repay transportation debt and \$125 million was transferred to the Bay Area Toll Account. The Governor’s Budget estimated that \$224 million would be transferred to the PTA as spillover in 2006-07; this amount has been increased to \$226 million.

The Governor’s January budget estimated \$617 million in spillover funds for 2007-08 and proposed that \$340 million be used to repay transportation debt, with the remainder transferred to the PTA as spillover. The May Revision forecasts that 2007-08 spillover transfers will be \$827 million due to higher gas prices in 2007.

CORPORATION TAX

Stronger corporate profits increased the corporation tax forecast by \$406 million for 2006-07 and \$237 million for 2007-08.

INSURANCE TAX

Higher estimated refunds reduced the insurance tax forecast by \$54 million in 2006-07. Revenues for 2007-08 are reduced by \$173 million to reflect the initial impact of a recent Board of Equalization ruling that the gross premiums tax insurers pay be calculated on a cash basis, rather than the accrual method used by the Department of Insurance.